

To: House Ways & Means Committee

From: Thomas (Tom) Emmerich, Chief Operating Officer - Schupan & Sons, Inc.

Date: December 2, 2020

RE: Schupan & Sons, Inc. Statement of Support for HB 6267

Dear Chairman Iden,

I represent Schupan & Sons, Inc. (Schupan) and UBCR, LLC. Schupan is a 52 year old, family owned, Michigan company located in Kalamazoo. UBCR is jointly owned by Schupan and TOMRA Systems, and is the industry's premier pick up agent, who handles approximately 60% of Michigan's deposit containers. We have extensive experience and knowledge as related to the states extremely popular bottle return system, and the overall state of the current systems infrastructure challenges.

I have personally worked directly in Michigan's beverage and deposit system for 34 years as a service provider picking up, processing and/or marketing Michigan's deposit containers. As a strong proponent of our current beverage container deposit law and system, I believe I can share valuable insight as to why **HB 6267**, or frankly any legislation which provides distributor assistance, is timely and would assist in enhancing the current system.

Our deposit system has succeeded over the years by the industry coming together (Distributors, Retailers and Recyclers) to continuously improve the process. Integrity, efficient logistics and operations, and quality of data collection is of the utmost importance to the program's viability. I feel it is important to emphasize that Michigan's distributors are the ones responsible for initiating the deposit and ensuring the containers are picked up and recycled. They engage with companies like Schupan and UBCR to ensure the overall system is run professionally and in a cost effective manner.

As is the case in all businesses, costs tend to escalate over time, in particular for mature operations that have been reengineered time and again, as Schupan, UBCR and TOMRA have done for the last 25 plus years. In the past 10 years alone, our cost to service the system has increased over 20% due to increases in labor, insurance, trucking, equipment, maintenance, etc. When the escheats money was taken out of the distributor network in the early 1990's, a revenue source that helped distributors financially support the deposit system was also removed. Distributors have since remained silent and managed the system through continuous investment in its infrastructure and by supporting their business partners.



I can attest to the fact that the current systems infrastructure is in need of significant investments to maintain the high level of service Michiganders have seamlessly experienced over the years.

I fear without future investment from the distributors our services may be negatively impacted as we try to manage through these difficult times of increasing cost and declining financial resources. What does this look like?

- Fewer retail pick up options either by UBCR or distributors themselves.
- Lower quality bins at larger retailers (not properly repaired, less clean).
- Tractors and trailers operated longer than normal to avoid capital investments resulting in more downtime.
- Higher processing and transportation equipment maintenance cost as equipment investment will be limited.
- Other cost cutting measures that may negatively impact the retailer's experience, and eventually the public.

These are just a few potential outcomes as a result of a lack of distributor infrastructure investment into the deposit system.

Schupan and UBCR will remain committed to doing the best we can with the resources we have. Our very convenient, consumer return-to retail deposit system enjoys a 94% favorability rating per a 2019 study by Lansing-based Marketing Research Group. However, to maintain the highest level of service we have all experienced to date with our very successful deposit system, distributor support is imperative, and thus, state support as well.

I appreciate the opportunity to share my thoughts. While **HB6267** does not specifically mention investments by distributors into the states deposit system, I trust, as their long time business partner, that is exactly what will happen. We have a great deposit system in Michigan. Loved by Michiganders and revered nationally by many as the best in the country. I strongly advocate for any legislation that provides distributors with the appropriate financial resources for long term sustainability of our world class Michigan deposit system. I would be happy to entertain any questions from the committee. Thank you.

Sincerely,

Thomas B. Emmerich
COO, Schupan & Sons, Inc.

